



WASHOE COUNTY

"Dedicated To Excellence in Public Service"

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STAFF REPORT

BOARD MEETING DATE: November 12, 2014

CM/ACM KS
Finance DN
DA ✓
Risk Mgt. DT
HR N/A
Other N/A

DATE: October 15, 2014
TO: Board of County Commissioners
FROM: Wendy Pitts, Property Program Manager
Community Services Department, 328-2045, wpitts@washoecounty.us
THROUGH: Dave Solaro, Arch., P.E., Director
Community Services Department, 328-2040, dsolaro@washoecounty.us
SUBJECT: Approve the Second Amendment to Lease between Vabadus LLC and Washoe County to acknowledge the transfer of ownership for the property located at 4930 Energy Way, Reno Nevada, to provide lease and payment compliance by acknowledging this transfer of ownership. (Commission District 3.)

SUMMARY

Approval and execution of the Second Amendment to Lease will acknowledge and confirm Vabadus LLC as the new owner of the property located at 4930 Energy Way for payment and lease obligation purposes.

Washoe County Strategic Objective supported by this item: Sustainability of our financial, social and natural resources.

PREVIOUS ACTION

On November 12, 2013, the Board of County Commissioners (Board) approved the first Amendment to Lease between Washoe County and Freemont Meadows LLC for the term of December 1, 2013 through November 30, 2016.

On June 14, 2011, the Board approved the Lease Agreement between Washoe County and Freemont Meadows LLC for the term of December 1, 2011 through November 30, 2013.

The Board has approved multiple lease agreements for the occupancy of Water Resources.

BACKGROUND

The property at 4930 Energy Way has sold and the new owner has executed the Second Amendment to lease, acknowledging the agreement and the transfer for the rental payment obligation.

Washoe County through the consolidation of the Water Utility with TMWA will be vacating this lease property as soon as the relocation team has completed their work. To date the work to be done includes small renovations at the Ninth Street complex, the Longley Lane complex, and construction of a Sewer Utility building at the South Truckee Meadows Water Reclamation Facility (STMWRF). It is anticipated that this work will be complete within the

AGENDA ITEM # 7DS

first quarter of the calendar year 2015. Washoe County will then terminate this lease, and the new owner is aware of the pending transaction.

FISCAL IMPACT

No fiscal impact for this action, the financial terms of the lease have not changed. There are appropriate clauses in the lease for early termination.

RECOMMENDATION

It is recommended the Board of County Commissioners approve the Second Amendment to Lease between Vabadus LLC and Washoe County to acknowledge the transfer of ownership for the property located at 4930 Energy Way, Reno Nevada, to provide lease and payment compliance by acknowledging this transfer of ownership.

POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be: "Move to approve the Second Amendment to Lease between Vabadus LLC and Washoe County to acknowledge the transfer of ownership for the property located at 4930 Energy Way, Reno Nevada, to provide lease and payment compliance by acknowledging this transfer of ownership."

SECOND AMENDMENT TO LEASE

THIS SECOND AMENDMENT TO LEASE AGREEMENT ("Second Amendment") is made and entered into this ____ day of _____, 2014, by and between Vabadus, LLC, hereinafter referred to as "Lessor", and WASHOE COUNTY, a political subdivision of the State of Nevada, hereinafter referred to as "Lessee".

WITNESSETH

WHEREAS, Lessor is the new and sole owner of the premises located at 4930 Energy Way, having office and warehouse space to lease; and

WHEREAS, Lessee through previous contractual agreements has been occupying space in the premises since December 1, 1997, and is currently occupying 38,883 square feet of office and warehouse space, under that Lease Agreement dated June 14, 2011, ("Lease Agreement"), as Amended by the First Amendment to Lease dated November 12, 2013; and

WHEREAS, the Parties hereto desire this Second Amendment to Lease in order to acknowledge the new owner in order to pay the lease obligations; and

NOW, THEREFORE, in consideration of the mutual covenants contained herein, Lessor and Lessee hereby agree to amend the Lease Agreement dated June 14, 2011, and the First Amendment to Lease dated November 12, 2013 in order to identify the new owner for rental payment purposes and notice information as shown below.

SECTION TWENTY-TWO

All notices and demands which may be required to be served upon the respective parties to this Agreement shall be in writing and may be served either personally or by certified mail, postage prepaid, addressed to the Lessee at the address of the Premises herein demised, with a copy to Washoe County Community Services Department, Attn: Property Program Manager, P.O. Box 11130, Reno, NV 88520, and a copy to Vabadus, LLC, 7867 McDowell Dr., Las Vegas, NV 89129, or at such other address as the parties may designate and serve upon the other, Any service by mail shall be deemed served upon deposit in the United States Post Office or other recognized shipping service company.

All other terms and conditions of the existing Lease Agreement, together with the First Amendment to Lease and this Second Amendment to Lease, shall remain in full force and effect throughout the term, and any extended term of the original Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Second Amendment to Lease as of the date and year first above written.

LESSOR: Vabadus LLC

By: _____
Fred Eicke
Its: _____

STATE OF _____)
:
COUNTY OF _____)

On this ____ day of _____, 2014, before me a Notary Public in and for the County of Washoe, State of Nevada, personally appeared _____, known to me to be the person described herein and who executed the foregoing instrument and who acknowledged to me that he executed the same freely and voluntarily on behalf of Lessor for the uses and purposes therein mentioned.

Notary Public

LESSEE: WASHOE COUNTY, a Political Subdivision of the State of Nevada

By: _____
David Humke, Chairman
Washoe County Commission

STATE OF _____)
:
COUNTY OF _____)

On this ____ day of _____, 2014 before me a Notary Public in and for the County of _____, State of _____, personally appeared _____, known to me to be the person(s) described herein and who executed the foregoing instrument and who acknowledged to me that he executed the same freely and voluntarily on behalf of Lessee for the uses and purposes therein mentioned.

Notary Public

Return to: Washoe County
Community Services Department
1001 East Test
Reno NV 89512
Attn: Laura Rose

DOC # 4302992

11/25/2013 02:03:22 PM
Requested By
WASHOE COUNTY COMMUNITY SERVICES
Washoe County Recorder
Lawrence R. Burtress - Recorder
Fee: \$0.00 RPTT: \$0.00
Page 1 of 21



FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE AGREEMENT ("First Amendment") is made and entered into this 3 day of OCTOBER, 2013, by and between Fremont Meadows LLC, a California Limited Liability Corporation, hereinafter referred to as "Lessor", and WASHOE COUNTY, a political subdivision of the State of Nevada, hereinafter referred to as "Lessee".

WITNESSETH

WHEREAS, Lessor is the sole owner of the premises located at 4930 Energy Way, having office and warehouse space to lease; and

WHEREAS, Lessee through previous contractual agreements has been occupying space in the premises since December 1, 1997 and is currently occupying 38,883 square feet of office and warehouse space, under that Lease Agreement dated June 14, 2011, ("Lease Agreement"); and

WHEREAS, the Parties hereto desire this First Amendment to Lease in order to exercise the existing renewal option available in Section Four, to commence upon expiration of the existing agreement; and

NOW, THEREFORE, in consideration of the mutual covenants contained herein, Lessor and Lessee hereby agree to amend the Lease Agreement dated June 14, 2011, by modifying Section Two (Term) and Section Three, Subsection A (1) (Rent) as shown below.

SECTION TWO

The term of this First Amendment to Lease is for a Thirty Six (36) month period commencing on December 1, 2013 and terminating on November 30, 2016, unless sooner terminated upon mutual agreement of the parties or as otherwise provided herein.

SECTION THREE

RENTAL AND COMMON AREA EXPENSE

Effective upon the commencement date as defined in Section Two, above, Lessee agrees to pay Lessor, at such place as Lessor shall designate from time to time in writing, monthly rent for the Premises, as follows:

A. Monthly Rent Payments:

1. The sum of Twenty Five Thousand, Three Hundred Eighty Two Dollars and eighty three cents (\$25,382.83) per month for the period of 12/1/13 through 11/30/14; and
2. The sum of Twenty Five Thousand Eight Hundred Ninety Dollars and forty nine cents (\$25,890.49) for the period of 12/1/14 through 11/30/15; and
3. The sum of Twenty Six Thousand Four Hundred Eight Dollars and thirty cents (\$26,408.30) for the period of 12/1/15 through 11/30/16.

All other terms and conditions of the existing Lease Agreement, together with this First Amendment, and shall remain in full force and effect throughout the term, and any extended term of the original Agreement.

Remainder of page left blank intentionally

IN WITNESS WHEREOF, the Parties hereto have executed this First Amendment to Lease as of the date and year first above written.

LESSOR: FREMONT MEADOWS LLC, a California LLC

By: [Signature]
Franklyn William Frauenhoff

STATE OF Arizona
COUNTY OF Maricopa

On this 13 day of October, 2013, before me a Notary Public in and for the County of Maricopa, State of Arizona, personally appeared Franklyn Frauenhoff, known to me to be the person described herein and who executed the foregoing instrument and who acknowledged to me that he executed the same freely and voluntarily on behalf of Lessor for the uses and purposes therein mentioned.

[Signature]
Notary Public



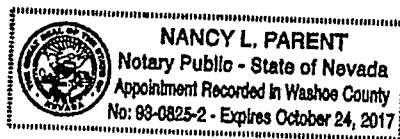
LESSEE: WASHOE COUNTY, a Political Subdivision of the State of Nevada

By: [Signature]
David Humke, Chairman
Washoe County Commission

STATE OF Nevada
COUNTY OF Washoe

On this 12th day of November, 2013, before me a Notary Public in and for the County of Washoe, State of Nevada, personally appeared David Humke, known to me to be the person(s) described herein and who executed the foregoing instrument and who acknowledged to me that he executed the same freely and voluntarily on behalf of Lessee for the uses and purposes therein mentioned.

[Signature]
Notary Public



LEASE AGREEMENT

THIS LEASE AGREEMENT is made and entered into this 14th day of June, 2011, by and between Fremont Meadows LLC, a California Limited Liability Company, hereinafter referred to as "Lessor" and WASHOE COUNTY, NEVADA, a political subdivision of the State of Nevada, hereinafter called "Lessee".

WITNESSETH:

WHEREAS, Lessor is the sole owner of the premises described below having office and warehouse space to lease; and

WHEREAS, Lessee has been occupying the premises since December 1, 1997; and

WHEREAS, the parties desire by this Agreement to define their respective rights, duties and liabilities for continuing lease of the 38,883 square feet of office and warehouse space beyond the November 30, 2011, expiration of the current lease agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto agree as follows:

SECTION ONE

DESCRIPTION OF PREMISES

Lessor hereby demises unto Lessee a portion of that building generally known and designated as 4930 Energy Way; Reno, Washoe County, Nevada, and more particularly

described in Exhibit "A" attached hereto, containing approximately 38,883 square feet of office/warehouse space together with the use of all entrances, hallways, restrooms, exterior grounds and parking areas. Lessee, its employees and invitees shall have the right to use the parking area on an undesignated basis.

SECTION TWO

TERM OF LEASE

This Lease shall be effective as of the date of execution hereof. The term of this Lease shall be Twenty Four (24) months commencing on December 1, 2011 and terminating November 30, 2013 unless terminated, or extended upon mutual agreement of the parties or as otherwise provided herein.

SECTION THREE

RENTAL EXPENSE

Effective upon the commencement date as defined in Section Two above, Lessee agrees to pay Lessor, at such place as Lessor shall designate from time to time in writing, monthly rent for the Premises described in Section One above as follows:

A. Monthly Rent Payments:

1. The sum of Twenty Four Thousand Eight Hundred Eighty Dollars and twelve cents (\$24,885.12) per month for the entire twenty four (24) month period of this Agreement commencing December 1, 2011 through November 30 2013;

B. Additional Rent. All monies other than monthly Rent required to be paid by Lessee hereunder, including but not limited to, interest and late charges described in this Section, any monies spent by Lessor pursuant to Section Ten and Section Eighteen (A) (1) and (2) shall be considered additional rent ("Additional Rent"). "Rent" shall mean monthly Rent and Additional Rent.

All rental payments shall be made payable to Fremont Meadows, LLC, through electronic transfer to the account provided by Lessor. Rent payable hereunder is due the first (1st) day of each month and if not received by the Lessor or properly deposited into the U.S. Mail system by the tenth (10th) day, Lessee agrees to pay a surcharge equivalent

to five (5%) percent of the monthly rental. Notwithstanding the foregoing, no late charge shall be assessed with respect to the first late payment of rent in a twelve (12) month period.

SECTION FOUR

RENEWAL

Lessee shall have the option of one (1) additional and separate renewal term of three (3) years, provided Lessee is not in default at the time of the exercise of such option. Said renewals shall commence upon expiration of the term of this Agreement, and shall each be for a period of Thirty Six (36) months. Written notice to renew shall be given to Lessor at least one hundred eighty (180) days prior to the expiration of this Agreement. The renewal term shall include a 2% increase upon commencement and again in each year of the extended term. The terms and conditions applicable to the renewal periods shall be the same terms and conditions set forth in this Agreement.

SECTION FIVE

INSPECTIONS, MAINTENANCE AND REPAIR

A. Lessor shall not be responsible for making repairs or replacements caused by the willful destruction of Lessee, Lessee's contractors, agents or employees.

B. Lessor specifically warrants the existing plumbing, electrical, HVAC system and all improvements in place at time of the commencement date hereof to be free from inherent or latent material defects and warrants same for the term of this Agreement as well as any renewals.

C. Lessee, at its sole cost and expense, shall provide reasonable routine minor maintenance and repair of the roof, sidewalks, windows, all plumbing including plumbing fixtures and central mechanical equipment to specifically include water heaters, heating, ventilating and air conditioning equipment necessary to provide service to the demised Premises and maintain the Premises in a reasonable and safe manner and in full compliance with all mandated federal, state and local regulatory requirement provided however that such costs do not exceed a cumulative total of \$12,500 in any one calendar

year. Lessee upon the written request of Lessor, shall provide Lessor with a record of all maintenance services performed to the demised Premises.

D. Lessee shall permit Lessor or its authorized agent to enter into and upon the demised Premises at all reasonable times, and at Lessor's sole cost and expense, for the purpose of inspecting the same, or for the purpose of making repairs or maintenance which in the judgment of the Lessor are necessary to maintain the structural integrity of the building in which the Premises are located.

E. Lessee, at its own expense, shall keep the Premises at all times in a neat, clean and sanitary condition, and shall neither commit nor permit any waste or nuisance thereon.

F. Lessee shall maintain and service the landscape sprinkler systems, shrub beds and landscaped areas. Lessee shall be responsible for repairs to the backflow devices and pressure reducers required for the demised property, subject to Paragraph H, below.

G. Lessee, at its sole cost and expense, shall perform minor routine maintenance of the parking areas in which the demised Premises are located including sweeping and snow removal services. Painting, crack sealing, resurfacing and filling of all potholes, cracks, breaks or tears in the surface of the parking areas shall remain a responsibility of Lessor and any costs incurred for such maintenance or repair shall remain the responsibility of Lessor without reimbursement or compensation from Lessee.

H. Lessor, at its sole cost and expense, shall be responsible for painting the building in which the premises are located, and for maintaining the structural integrity of the premises, to include the building, loading dock and parking areas. Lessor, at its sole cost and expense, shall also be responsible for and provide all other reasonable maintenance and repair, which is not Lessee's responsibility, and all necessary replacement of all mechanical systems in or about the premises, including without limitation, plumbing fixtures, water heaters, elevators, heating, ventilating and air conditioning necessary to provide service to the demised Premises. Lessor shall also be solely responsible for replacement of the backflow devices, pressure reducers and meters.

I. Lessor, at its sole cost and expense, shall pay all costs associated with modification of the premises and appurtenant property as may be required for compliance with any statutes, ordinances and/or regulations, including required changes in installations for supply of utilities or sanitary facilities or other modification which may be required for compliance with the requirements of the Americans with Disabilities Act (ADA).

J. Lessee, as appropriate, shall keep the Premises free from all liens arising out of any and all work that it may perform, or materials furnished, or obligations incurred by Lessee. Lessee shall have thirty (30) days from the date of receipt of written notice of said lien, as provided by Lessor, within which to remove said encumbrance without breaching the provisions of this Lease Agreement.

SECTION SIX

HOLDING OVER

Any holding over of the Premises by Lessee after the expiration of the term hereof (or any renewal period, as applicable) shall be construed to be a tenancy from month-to-month. Monthly Rental rates will remain fixed for up to (4) months after which time Lessee will either quit and vacate the Premises or enter into a new lease agreement. All other terms and conditions stated herein shall remain in full force and effect to the extent they are not inconsistent with this section. If Lessee fails to surrender the Premises upon the expiration of the holdover period, Lessee shall hold the Lessor harmless from all damages resulting from Lessee's failure to surrender, including without limitation, claims from a succeeding tenant resulting from Lessee's failure to surrender the Premises.

SECTION SEVEN

USE OF PREMISES

A. Lessee shall use the Premises for conducting activities of the Washoe County business or for other related general government purposes. Lessee shall not use, or permit

said Premises or any part thereof to be used for any purpose other than the conduct of the necessary business of Washoe County governmental programs.

B. Lessee shall not conduct or at any time knowingly permit its employees, agents or visitors to conduct activity on the Premises that is unlawful or in violation of any federal or state statute, code or regulation.

SECTION EIGHT

ALTERATIONS AND IMPROVEMENTS

A. The parties hereby acknowledge that the Premises are in good condition and are architecturally acceptable to Lessee, and shall not be altered, repaired or changed except as provided herein.

B. Lessee agrees that it shall not erect partitions, install or change any doors or windows, or place any nails, screws or other implements or fasteners into the wood work or walls, except such items as are necessary to suitably decorate or make the Premises attractive for the purposes intended, without the prior written consent of Lessor, which consent shall not be unreasonable withheld. Upon Lessor's request, Lessee shall prepare plans and specifications of such work and submit the same to Lessor for its approval prior to making such alterations or improvements. Said approval will not be unreasonably withheld.

C. The parties agree that all the erections, additions, fixtures and improvements, except only movable equipment, office furniture, shelving and any decorative items which can be removed without affecting the integrity of the building, made in or upon said Premises shall remain upon the Premises at the termination of this Agreement or any renewal hereof or otherwise, without compensation to Lessee.

D. The erection, construction, installation or making of any improvements shall be accomplished in a workmanlike manner and in compliance with all applicable federal, state, county and municipal laws and regulations.

SECTION NINE

LESSOR IMPROVEMENTS

A. Lessor reserves the right from time to time and at its own expense to make such improvements, alterations, renovations, changes, repairs, tests and investigations in and about the building in which the Premises are located including the demised Premises, as Lessor shall deem necessary or desirable provided Lessor prior to entering the demised Premises gives Lessee a minimum 48 hours notice of its intent to do so, and, except where such improvements, alterations, changes and repairs unreasonably disrupt Lessee's use and peaceful enjoyment of the Premises, Lessee shall make no claim against Lessor for abatement of rent for interference with Lessee's leasehold interest or for loss or damage to its business during such improvements, alterations, changes and repairs.

B. Lessor shall make all improvements in a safe, workmanlike manner so as not to prove hazardous to tenants and/or the public.

SECTION TEN

TAXES

Lessee agrees to pay its prorata share of the cost of real property taxes during the actual term of occupancy. Lessor shall be responsible for the timely payment of all property taxes for the property of which the demised Premises are a part. Lessee will not pay any additional cost or fees associated with late payment or penalties incurred as a result of Lessor's failure to pay such amounts in a timely fashion. All costs of taxes must be evidenced in writing and substantiated by copies of all statements and reasonable supporting data regarding such items of expense paid pursuant hereto.

SECTION ELEVEN

UTILITIES, CUSTODIAL AND TELEPHONE

A. All trash removal services, gas, electricity, water, sewer, and other public utilities specifically used upon and separately metered to the demised Premises shall be paid at the sole cost and expense of Lessee.

B. Lessee, at its sole cost and expense, shall provide interior trash removal and janitorial services to the premises as well as cleaning and sanitizing of public restrooms in accordance with Lessee's established schedule.

C. Lessee, at its sole cost and expense, shall provide interior window cleaning on a periodic basis.

D. Lessee, through its Department of Water Resources, shall pay for all telephone service costs incurred for installation of equipment and establishment of initial service and for ongoing monthly service charges for equipment, fees, line and toll charges or any changes thereto specifically requested by Lessee.

E. Lessor shall not be liable for any damages directly or indirectly, except for those caused by the negligence or misconduct by Lessor, resulting from, nor shall the Rent or any monies owed Lessor under this Agreement herein reserved be abated by reason of: (a) the installation, use or interruption of use of any equipment used in connection with the furnishing of any such utilities or services; (b) the failure to furnish or delay in furnishing any such utilities or services when such failure or delay is caused by acts of God or the elements, labor disturbances of any character, or any other accidents or other conditions beyond the reasonable control of Lessor; or (c) the limitation, curtailment, rationing or restriction on use of water, electricity, gas or any other form of energy or any other service or utility whatsoever serving the Demised Premises.

SECTION TWELVE

SIGNS

Lessee agrees that no sign or advertisement shall be painted or affixed to any part of the outside of the building in which the demised premises are situated without the approval of Lessor, which consent shall not be unreasonably withheld.

SECTION THIRTEEN

WAIVER

Any failure on the part of either party to take action against the other for any breach or covenant herein shall not be construed to constitute a waiver of any other or subsequent breach.

SECTION FOURTEEN

DESTRUCTION OF PREMISES

A. In the event of a partial destruction of said Premises or the buildings of which the Premises is a part during the said term, from any cause, Lessor shall forthwith repair the same within one hundred-twenty (120) days, provided such repair can be made within said period under the laws and regulations of the state, federal, county or municipal authorities. If required repairs are commenced promptly, this Agreement shall not be modified, except that Lessee shall be entitled to a proportionate reduction of rent if a portion of the demised Premises are rendered unusable or substantially impaired while repairs are being made. If such repairs cannot be made in one hundred-twenty (120) days, this Lease Agreement may be terminated at the option of either party. Either party shall notify the other of such party's election to terminate the lease within twenty-one (21) days following the date Lessee receives written notice from Lessor of its inability to repair the building within the one hundred-twenty (120) day period due to such damage or destruction. A total destruction of the building in which the Premises is situated shall terminate this Agreement. This provision is not intended to affect the rights of either party to seek recovery against the person responsible for the damages, subject, however, to the provision of Section Fifteen below.

B. Lessor shall provide Lessee with notice of intent regarding the decision to make or delay repairs within twenty-one (21) days of the event creating the damage or destruction contemplated in this Section Fourteen.

SECTION FIFTEEN

CONDEMNATION

In the event that any part of the Premises hereby demised shall be condemned or taken by any county, federal, state or other authority for any purpose, then the term of this Agreement shall cease on the part so taken from the day the possession of that part is required for any public purpose. The rent shall be paid up to that day and thereafter the Lessee or the Lessor shall have the right to either cancel this Lease or to continue in the possession of the remainder of the same under the terms herein provided, except that the rent shall be reduced in proportion to the area of that portion of the Premises taken for such public purpose. All damages awarded as compensation for diminution in value to the leasehold or to the fee of the Premises shall belong to and be the property of Lessor. Lessee shall have the right to claim and recover from the condemning authority such compensation as may be separately awarded or recoverable by Lessee in Lessee's own right on account of any and all damages to Lessee's business by reason of the condemnation and for or on account of any cost or loss to which Lessee might be put in removing Lessee's furniture, fixtures, equipment and leasehold improvements.

SECTION SIXTEEN

INDEMNIFICATION

A. Lessor shall hold harmless, indemnify and defend Lessee from and against any loss, damage, claim, suit or liability due to injury, including death, or property damage, to any third party arising out of the negligent acts or omissions of the Lessor, its agents or employees, in connection with the ownership of the Property and the Lessor's duties and responsibilities pursuant to this Agreement.

B. Pursuant to Nevada Revised Statutes, Chapter 41 and without waiving any provisions thereof, Lessee, shall hold harmless, indemnify and defend Lessor from and against any loss, damage, claim, suit or liability due to injury, including death, or property damage, to any third party arising out of the negligent or alleged negligent acts or omissions of the Lessee, its agents, contractors or employees, arising out of the use of the demised Premises and the Lessee's duties and responsibilities pursuant to this Agreement.

SECTION SEVENTEEN

HAZARDOUS SUBSTANCES

Neither party shall cause or allow any of their respective invitees, visitors employees or agents to cause, any Hazardous Materials to be used, generated, stored, or disposed of on or about the Premises, the Building or the Project. As used in this Lease, "Hazardous Materials" shall include, but not be limited to, hazardous, toxic, and radioactive materials and those materials and those substances defined as "hazardous substances," "hazardous materials," "hazardous wastes," "toxic substances," or other similar designations in any federal, state, or local law, regulation or ordinance. Subject to Section Nine, Lessor shall have the right at all reasonable times to inspect the Premises and to conduct tests and investigations to determine whether Lessee is in compliance with the foregoing provisions, the costs of all such inspections, tests and investigations to be borne by Lessor. Any party violating this Section Seventeen, whether the violation is pre-existing, present, or future, shall indemnify, defend, protect and hold the other harmless from and against all liabilities, losses, costs and expenses, demands, causes of action, claims, or judgments directly or indirectly arising out of the use, generation, storage or disposal of Hazardous Materials, which indemnity shall include, without limitation, the cost of any required or necessary repair, cleanup or detoxification, and the preparation of any closure or other required plans, whether such action is required or necessary prior to or following the termination of this Lease. Neither the written consent by a party hereto, to the use, generation, storage or disposal of Hazardous Materials nor the strict compliance by a party hereto with all laws pertaining to Hazardous Materials shall excuse a party hereto from their respective obligation of indemnification pursuant to this Section Seventeen. These obligations pursuant to the foregoing indemnity shall survive the termination of this Lease.

SECTION EIGHTEEN

INSURANCE

A. Lessor, at its sole cost and expense, shall:

(1) Secure and maintain fire and extended insurance on the building in which the Premises is located in an amount and coverage determined by Lessor during the term or any extended term of this Agreement, and Lessee shall reimburse Lessor for the actual cost thereof, excluding late fees and penalties. Lessor shall provide Lessee with a copy of actual invoices evidencing such actual costs.

(2) Secure and maintain a policy of comprehensive or commercial general liability coverage (occurrence form), in an amount of not less than \$1,000,000 per occurrence, and at least \$2,000,000 annual aggregate during the term of this Agreement. Lessee shall be added as an additional "insured" to this policy for any injury to person or damage to property occurring on the premises. Lessee shall be provided with a certificate of insurance and endorsements evidencing such coverage. Lessee shall reimburse Lessor for the actual cost of this policy and any costs associated with adding Lessee as additional insured, excluding late fees and penalties. Lessor shall provide Lessee with a copy of actual invoices evidencing such actual costs.

(3) Lessor hereby expressly waives and releases any cause of action or right of recovery which Lessor may have hereafter against the Lessee for any loss or damage to the demised Premises, or to the contents thereof belonging to either, caused by fire, explosion, or any other risk covered by insurance; and,

(4) Lessor shall obtain a waiver from any insurance carrier with which Lessor carries fire, explosion or any other risk coverage insuring the building and other improvements releasing its subrogation rights against Lessee.

B. Lessee, at its sole cost and expense, shall:

(1) Maintain fire insurance on all contents owned by the Lessee located at the demised Premises.

(2) Lessee may fund any financial obligation relating to its negligence and liability through a program of self-funding administered by its Risk Management Division. Any and all claims related to the use of the demised Premises by Lessee shall be forwarded to Lessee in a timely manner.

(3) Lessee hereby expressly waives and releases any cause of action or right of recovery which Lessee may have hereafter against the Lessor for any loss or damage to the demised Premises, or to the contents thereof belonging to either, caused by fire, explosion, or any other risk covered by Lessee's insurance and,

(4) Lessee shall obtain a waiver from any insurance carrier with which Lessee carries fire, explosion or any other risk coverage insuring the Premises or the contents thereof releasing its subrogation rights against Lessor.

SECTION NINETEEN

SUBORDINATION, ATTORNMENT AND NON-DISTURBANCE

A. This Lease, at Lessor's option, shall be subordinated to any mortgage, deed of trust, or any other hypothecation for security now or hereafter placed upon Lessor's leasehold interest in the real property or building of which the Premises are a part and which constitute a mortgage or deed of trust lien or encumbrance against Lessor's interest in such Premises or building and to any and all advances made on the security thereof and to all the renewals, modifications, amendment, consolidations, replacements and extensions thereof.

B. Lessee agrees to execute any documents required to effectuate such subordination to the lien of any mortgage, deed of trust, or other security document, as the case may be, and failing to do so within fifteen (15) days after written demand shall give Lessor the right to terminate this Lease and immediately re-enter the Premises.

C. Lessee shall in the event of the sale or assignment of Lessor's interest in the real property or building of which the Premises are a part, or in the event of any proceeding brought for the foreclosure of, or in the event of exercise of the power of sale under any mortgage or deed of trust made by Lessor covering the Premises, attorn to the purchaser or assignee and recognize such purchaser or assignee as Lessor under this Lease Agreement.

D. Any purchaser, assignee, or other party acquiring Lessor's interest in the real property or building of which the Premises are a part, agrees to recognize the validity and

enforceability of this Lease and that notwithstanding any default by Lessor with respect to any mortgage, deed of trust, or other security document, Lessee's possession, quiet enjoyment and all of Lessee's rights under this Lease Agreement in and to the Premises shall not be disturbed by such purchaser, assignee or other party unless Lessee is in default under the terms of this Lease.

E. Lessee agrees, to deliver to Lessor, or Lessor's designee, within ten (10) days after request of Lessor, an estoppel certificate stating that this Lease is in full force and effect, the date to which the Rent has been paid, the unexpired portion of this Lease, and such other matters pertaining to this Lease as may be reasonably requested by Lessor. Failure by Lessee to execute and deliver such certificate shall constitute an acceptance of the Premises and acknowledgement by Lessee that the statements included are true and correct without exception. Lessor and Lessee intend that any statement delivered pursuant to this Paragraph may be relied upon by any mortgagee, beneficiary, purchaser or prospective purchaser of the Premises or any interest therein. The parties agree that Lessee's obligation to furnish such estoppel certificates in a timely fashion is a material inducement for Lessor's execution of the Lease, and shall be an event of default if Lessee fails to fully comply.

SECTION TWENTY

QUIET ENJOYMENT

Lessee, while in compliance with the terms and covenants herein, is entitled to the quiet enjoyment of the demised Premises for the term hereby created.

SECTION TWENTY-ONE

ASSIGNMENT AND SUBLEASE

This Lease Agreement may be assigned or the Premises sublet only with the prior written consent of the Lessor. Lessor shall consent to an assignment or subletting provided the proposed assignee is, in Lessor's judgment, a suitable tenant which can demonstrate to Lessor's satisfaction that it is compatible with the building and other

tenants of the building and has the financial and operational capability to remain through the lease term. Any rents due from an assignee or sublessee, in excess of the rents due under this Lease from Lessee shall be paid to Lessor.

SECTION TWENTY-TWO

NOTICES

All notices and demands which may be required to be served upon the respective parties to this Agreement shall be in writing and may be served either personally or by certified mail, postage prepaid, addressed to the Lessee at the address of the Premises herein demised, with a copy to Washoe County Public Works, P.O. Box 11130, Reno, NV 89520-0027, and to Frank Frauenthoff, Barley Creek Ranch, Manhattan NV 89022 at such other address as the parties may designate and serve upon the other. Maintenance invoices after the \$12,500 to be paid directly by: Fremont Meadows LLC. Any service by mail shall be deemed served upon deposit in the United States Post Office.

SECTION TWENTY -THREE

CHOICE OF LAW; VENUE

This Lease shall be construed in accordance with and governed by the laws of the State of Nevada. All parties hereto consent to the personal jurisdiction of any state or federal court of competent jurisdiction located in Washoe County, Nevada and to the service of process by any means authorized by any such state or federal court or under the laws of the State of Nevada. The exclusive venue of any action, proceeding or counterclaim arising out of or in connection with this Lease shall be Washoe County, Nevada.

SECTION TWENTY-FOUR

ATTORNEY'S FEES

Should any party hereto institute any legal action or proceeding of any kind to enforce any provision hereof or for damages by reason of an alleged breach of any provision of this Agreement, neither party shall be entitled to recover any amount as a

reasonable attorney's fee, for any reason, even if said party is deemed to be the prevailing party in such action or proceeding. Costs of suit may be awarded as allowed by law.

SECTION TWENTY-FIVE

TERMINATION

A. Upon termination of this Agreement, Lessee shall quit the Premises peaceably, with no damage to the Premises, save and except normal wear and tear and damage outside the control of Lessee, and shall remove all of Lessee's personal property from the Premises.

B. The failure by Lessee or Lessor to make any payment or observe or perform any covenants, conditions or provisions of this Lease Agreement required to be made, observed or performed by such party, after thirty (30) days written notice of such default shall constitute a default of this Lease by such party; provided, however, that if the nature of the default (other than the payment of money) is such that more than thirty (30) days are reasonably required for its cure, then the defaulting party shall not be deemed to be in default if such party commences such cure within the thirty (30) day period and thereafter diligently prosecutes such cure to completion. Upon default, the non-defaulting party may pursue all remedies available under Nevada law, including termination of the Lease and recovery of all damages caused by such default.

C. It is understood and agreed that Lessee may cancel this Agreement, with or without cause, effective on the termination date set forth in Section Two, above; or during any renewal date thereof pursuant to Section Four, above.

D. In the event Lessee shall acquire, build a building or a property becomes available in which Lessee shall conduct the same function it is currently performing in place of its operation in the demised Premises, Lessee may cancel this Agreement at any time after the twelfth (12th) month by giving Lessor six (6) months prior written notice of its intention to do so; provided however, that Lessee is not in default of any of the terms contained in this Agreement.

SECTION TWENTY-SIX

FUNDING OUT

Pursuant to NRS 244.320, in the event Washoe County fails to appropriate budget funds specifically for the purpose of maintaining this activity in such demised Premises, in any subsequent fiscal year after the effective date of the agreement, Lessor hereby agrees to cancel this agreement and hold Lessee harmless from any penalty, charge or sanction. Lessee agrees to provide written notice to Lessor of this eventuality, should it occur.

SECTION TWENTY-SEVEN

EFFECT OF AGREEMENT

A. This Agreement constitutes the entire contact between the parties and no obligation other than those set forth herein will be recognized unless endorsed hereto in writing.

B. Each of the covenants, warranties, and agreements herein contained are binding on the parties hereto, their successors, assigns and legal representatives. In the event of any breach of these covenants, warranties and agreements by Lessee during the duration of this Agreement, whether or not discovered by or known to Lessor during the lease term, Lessor expressly reserves unto itself the right to pursue appropriate legal action against Lessee to correct or cure said breaches or deficiencies.

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IN WITNESS WHEREOF, the parties hereto have set their hands and seals as of the date and year first above written.

LESSEE: WASHOE COUNTY, a political sub-division of the State of Nevada

By: [Signature]
John Breternitz, Chairman
Board of County Commissioners

LESSOR: FREMONT MEADOWS, LLC

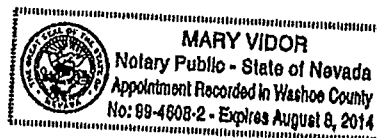
By: [Signature]
Franklyn William Frauenhoff

STATE OF Nevada)

COUNTY OF Washoe)

On this 14th day of April, 2011 before me a Notary Public in and for the County of Washoe, State of Nevada, personally appeared Franklyn Frauenhoff, known to me to be the person described herein and who executed the foregoing instrument and who acknowledged to me that he/she executed the same freely and voluntarily on behalf of Lessee, for the uses and purposes therein mentioned.

[Signature]
Notary Public



STATE OF Nevada)

COUNTY OF Washoe)

On this 14th day of June, 2011 before me a Notary Public in and for the County of Washoe, State of Nevada, personally appeared JOHN BRETERNITZ, known to me to be the person described herein and who executed the foregoing instrument and who acknowledged to me that he/she executed the same freely and voluntarily on behalf of Lessor, for the uses and purposes therein mentioned.

[Signature] LESSEE
Notary Public

